

Message Text

CONFIDENTIAL

PAGE 01 BONN 16053 01 OF 02 061850Z

43 41

ACTION SS-20

INFO OCT-01 EUR-25 EA-11 NEA-10 ISO-00 SSO-00 NSCE-00

NSC-10 CIAE-00 INR-10 NSAE-00 RSC-01 INRE-00 EB-11

SPC-03 DRC-01 CCO-00 /103 W

----- 047606

O 061836Z NOV 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 8562

AMEMBASSY LONDON IMMEDIATE

AMEMBASSY PARIS IMMEDIATE

AMEMBASSY ROME IMMEDIATE

USMISSION OECD PARIS IMMEDIATE

USMISSION EC BRUSSELS IMMEDIATE

AMEMBASSY THE HAGUE IMMEDIATE

AMEMBASSY BRUSSELS IMMEDIATE

AMEMBASSY TOKYO IMMEDIATE

AMEMBASSY JIDDA IMMEDIATE

AMEMBASSY TEHRAN IMMEDIATE

C O N F I D E N T I A L SECTION 01 OF 02 BONN 16053

ECOTO 3

DEPARTMENT: PLEASE REPEAT IMMEDIATE TO THE SECRETARY

FOR THE SECRETARY FROM UNDER SECRETARY CASEY

E.O. 11652: GDS

TAGS: OVIP, ENRG

SUBJECT: LONDON ENERGY TALKS

1. "SUMMARY" ALMOST SIX HOURS TALKS NOVEMBER 5 WITH
SENIOR FCO AND DTI OFFICIALS AND THEIR CHIEF ENERGY AD-
VISORS REVEALED FOLLOWING: IN CURRENT OIL SUPPLY CRISIS
BRITISH POLICY IS TO "HELP MAINTAIN MAXIMUM FLOW OF OIL"
BY RESISTING DUTCH DEMANDS FOR PUBLIC MANIFESTATION OF
EC SOLIDARITY IN ORDER TO PROTECT THEIR FAVORED POSITION
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BONN 16053 01 OF 02 061850Z

WHILE QUIETLY PREPARING FOR WORSE AND HOPING THAT SHOCK

AND IMPLICATIONS THIS FOURTH ARAB-ISRAELI WAR SUFFICIENT HELP YOU "GET POLITICS RIGHT IN NEAR EAST." ON OIL PRICE PROBLEM, BRITISH CONTINUE CONCERNED ABOUT NATIONAL AND INTERNATIONAL FINANCIAL IMPLICATIONS AND TO THINK THAT CONSUMING GOVERNMENTS SHOULD TALK WITH OIL PRODUCING GOVERNMENTS ABOUT THIS AT A MORE AUSPICIOUS TIME. IN LONG RUN BRITISH EXPECT REDUCE THEIR DEPENDENCE ON FOREIGN ENERGY RESOURCES FROM 50 TO 10 TO 20 PERCENT. HOWEVER, LIKE WE THEY THINKING A LOT (THOUGH WITHOUT CONCLUSIONS YET) ABOUT HOW TO REDRESS THE BALANCE IN THE ENERGY SITUATION, ESPECIALLY HOW TO DEAL WITH THE WEAKENED NEGOTIATING ROLE OF THE OIL COMPANIES. AN EARLY MEETING IS TO BE ARRANGED BETWEEN TECHNICIANS BOTH COUNTRIES ON SPEEDING ENERGY R & D. END SUMMARY.

2. I DISCUSSED SHORT AND LONG-TERM WORLD OIL AND ENERGY PROBLEMS FOR ABOUT SIX HOURS NOVEMBER 5 IN SERIES MEETINGS WITH OLIVER WRIGHT, DEPUTY UNDER SECRETARY OF STATE, FCO; LEONARD WILLIAMS AND JOHN LIVERMAN, DEPUTY SECRETARIES FOR ENERGY POLICY AND PETROLEUM, RESPECTIVELY, DTI; SIR ROBERT MARSHALL, SECRETARY (INDUSTRY) DTI; AND TOM BOARDMAN, M.P., MINISTER FOR INDUSTRY; AND SEVERAL THEIR ENERGY ADVISORS. FOLLOWING IS SUMMARY MAIN POINTS MADE BY THESE BRITISH OFFICIALS ON CURRENT OIL SUPPLY REDUCTIONS, CRUDE OIL PRICES AND LONGER-RUN ENERGY PROSPECTS. I PUT FORWARD VIEWS OF WHICH YOU ARE WELL AWARE, INCLUDING RELATIONSHIP YOUR VISIT MIDDLE EAST TO OIL SUPPLY PROBLEM.

3. "CURRENT OIL SUPPLY": WRIGHT AND LIVERMAN NOTED THAT WHILE BRITAIN NOW IN ARAB'S FAVORED NATION COLUMN, THEY DID NOT SEE HOW IT COULD ESCAPE INDIRECT AND FINALLY DIRECT CONSEQUENCES CONTINUING PRODUCTION CUTS AND EMBARGOS. TAYLOR (FCO) AND SPAIN (DTI), THEIR PRINCIPAL OIL ADVISORS, WERE VISITING THE ARAB OIL CAPITALS TO ASSESS THE SITUATION. DTI WAS QUIETLY WORKING TO PUT HMG IN MAXIMUM STATE READINESS SINCE ANY REDUCTION IN BRITISH OIL SUPPLIES EXPECTED BE FELT QUITE SHARPLY. (FULL SCALE RATIONING COULD BE UNDERWAY FIVE WEEKS AFTER DECISION, WHILE TIME REQUIRED HAVE COMPANIES OPERATING UNDER GOVERNMENT GUIDELINES ONLY ABOUT 10 DAYS.) WRIGHT FOCUSED ON

CONFIDENTIAL

PAGE 03 BONN 16053 01 OF 02 061850Z

HOPE SHOCK AND IMPLICATIONS THIS FOURTH ARAB-ISRAELI CONFLICT WILL PROVIDE BASIS FOR ACCEPTABLE TERRITORIAL SETTLEMENTS AND FEAR THAT EMOTIONS AND INFLEXIBILITIES WILL LEAD TO RENEWED FIGHTING. THE BRITISH RECOGNIZED THAT YOUR PEACE EFFORTS AND VISIT TO AREA ARE CRITICAL TO ANY EASING OF THE PRESSURE AND DANGERS WHICH EUROPE FACES. THEY ACCEPT IMPORTANCE OF PRESENTING COMMON FRONT TO GET FUNDAMENTAL SOLUTION BUT RETURN TO EMPHASIS ON KEEPING

THE OIL FLOWING IN IMMEDIATE FUTURE.

4. WRIGHT LEFT FOR BRUSSELS AFTER OUR MEETING TO BE WITH FOREIGN MINISTER IN EC MEETINGS CALLED TO CONSIDER EMBARGOED NETHERLANDS CALL FOR EXPRESSION SOLIDARITY AND SUPPORT. HE PERHAPS SUMMED UP BRITISH VIEW IN HIS RHETORICAL QUESTION OF "WHAT VIRTUE CAN THE NETHERLANDS SEE IN A PUBLIC DEMONSTRATION OF SOLIDARITY THAT WILL RESULT IN A

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 BONN 16053 02 OF 02 061850Z

50 41
ACTION SS-20

INFO OCT-01 EUR-25 EA-11 NEA-10 ISO-00 SSO-00 NSCE-00

NSC-10 CIAE-00 INR-10 NSAE-00 RSC-01 INRE-00 EB-11

SPC-03 DRC-01 CCO-00 /103 W
----- 047608

O 061836Z NOV 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 8563

AMEMBASSY LONDON IMMEDIATE

AMEMBASSY PARIS IMMEDIATE

AMEMBASSY ROME IMMEDIATE

USMISSION OECD PARIS IMMEDIATE

USMISSION EC BRUSSELS IMMEDIATE

AMEMBASSY THE HAGUE IMMEDIATE

AMEMBASSY BRUSSELS IMMEDIATE

AMEMBASSY TOKYO IMMEDIATE

AMEMBASSY JIDDA IMMEDIATE

AMEMBASSY TEHRAN IMMEDIATE

C O N F I D E N T I A L SECTION 02 OF 02 BONN 16053

SOLIDARITY IN MISERY". HE ADDED THAT SUPPORT SHOULD BE GIVEN QUIETLY, BUT THIS WAS HARD TO DO IN DEMOCRACIES. LIVERMAN'S ONLY COMMENT ON WHAT BRITAIN WAS GOING TO DO ABOUT THE DUTCH WAS "I WISH I KNEW". ON VARIOUS OCCASIONS IN DAY'S MEETINGS I POINTED TO LARGER ISSUES INVOLVED IN THIS CRITICAL TEST EC AND TO FACT INDIVIDUAL NAT-

IONAL WAYS IN WHICH EC MEMBERS ACTING JUST WHAT ARABS WANT I.E., THIS CERTAINLY MUCH BETTER THAN TOTALLY CONFRONTING WESTERN EUROPE - THEIR MAJOR MARKET AND TRADING BLOC - WITH ALL ITS UNCERTAIN RAMIFICATIONS. BRITISH AGREE THAT TOTAL APPEASEMENT OF ARABS NOT A CONSTRUCTIVE ROUTE, BUT THEY THINK IT MOST IMPRUDENT NOT TO SEE "RINGING DECLARATIONS OF SOLIDARITY" AS BEING NOTHING BUT COUNTERPRODUCTIVE AT THIS POINT.

5. OIL PRICES: LIVERMAN SAID ORIGINAL REQUEST FOR
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BONN 16053 02 OF 02 061850Z

MEETING WAS TO DISCUSS IDEAS ABOUT CONSUMER GOVERNMENTS EXPRESSING CONCERN AND DISPLEASURE TO ARAB OIL PRODUCERS OVER THEIR RECENT UNILATERAL 70 PERCENT INCREASE IN POSTED PRICES, BUT THESE HAD BEEN OVERTAKEN BY EVENTS CONNECTED WITH THE OCTOBER ARAB-ISRAELI WAR. BRITISH HAD PROTESTED WISDOM OF HUGE UNILATERAL PRICE INCREASES TO SHAH WITH NO RESULTS. NEITHER LIVERMAN NOR WRIGHT SAW ANY LEVERAGE AND THEREFORE ANY PROSPECT FOR ROLLING BACK THESE PRICES. HOWEVER, LIVERMAN THOUGHT CONSUMER GOVERNMENTS HAD TO EXPRESS THEMSELVES AT SUFFICIENTLY HIGH LEVEL ON THIS MATTER AND HIS GOVERNMENT MIGHT COME BACK ON THIS AGAIN AT A MORE AUSPICIOUS TIME. HE NOTED THAT THE BRITISH HAD NOT RECEIVED MUCH IF ANY POSITIVE RESPONSE FROM OTHER CONSUMING GOVERNMENTS TO WHICH THEY HAD TALKED ON THIS SUBJECT. THERE WAS CONSIDERABLE INCONCLUSIVE THOUGH USEFUL DISCUSSION OF VARIOUS ECONOMIC AND ORGANIZATIONAL IMPLICATIONS AND CONSTRAINTS OF OIL PRICE PROBLEM.

6. LONG-TERM ENERGY SITUATION: WILLIAMS SAID BRITAIN PLANNING IMPROVE ITS ENERGY RESOURCE BALANCE FROM 50 PERCENT INDIGENOUS NOW TO 80 TO 90 PERCENT IN 1980. WRIGHT SAW LONGER-RUN OIL PROBLEM AS HOW REESTABLISH A WILLING BUYER/SELLER RELATIONSHIP. HE AND LIVERMAN INDICATED THAT HMG STILL DEVELOPING THOUGHTS ON HOW GOVERNMENT SHOULD DEAL WITH THE WEAKENED ROLE OF OIL COMPANIES IN PRICE, PRODUCTION, ETC., NEGOTIATIONS WITH PRODUCING COUNTRIES. NO CONCLUSIONS AS TO SOLUTIONS HAD BEEN REACHED. LIVERMAN SAID (A) HMG HAD ACCEPTED IDEA GOVERNMENT WILL HAVE TO INTERVENE, (B) NEGOTIATIONS IN TRADITIONAL SENSE HAD ENDED BECAUSE PRODUCERS IN DOMINANT BARGAINING POSITION, (C) PARTICIPATION AGREEMENTS IN PERSIAN GULF WOULD HAVE TO BE RENEGOTIATED TO PROVIDE FOR MUCH MORE PRODUCER COUNTRY OWNERSHIP SOONER, AND (D) OIL COMPANIES WERE FAST BECOMING JUST BUYERS AND SELLERS.

7. I SUGGESTED TO WILLIAMS, WHO IS AT CENTER BRITISH R&D ON ENERGY, THAT TECHNICIANS FROM BOTH OUR GOVERNMENTS

SHOULD GET TOGETHER AND REVIEW EACH OTHER'S PROGRAMS AND
SEE WHAT WE MIGHT USEFULLY DO TOGETHER. SUBSEQUENTLY, I
BROUGHT THIS UP WITH LIVERMAN AND BOARDMAN. THE RESPONSES
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BONN 16053 02 OF 02 061850Z

WERE POSITIVE. WE WILL FOLLOW UP ON THIS.
CASEY

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 06 NOV 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973BONN16053
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731153/aaaabmxs.tel
Line Count: 234
Locator: TEXT ON-LINE
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 31 JUL 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <31-Jul-2001 by boyleja>; APPROVED <24-Sep-2001 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: LONDON ENERGY TALKS
TAGS: OVIP, ENRG
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005